

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

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PUBLIC SERVICE  
COMMISSION

In the Matter of:

APPLICATION OF BIG SANDY RURAL )  
ELECTRIC COOPERATIVE CORPORATION ) CASE NO. 2005-00125  
FOR AN ADJUSTMENT OF RATES )

NOTICE OF FILING AND CERTIFICATION OF SERVICE

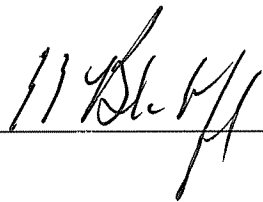
I hereby give notice that I have filed seven true copies of the Attorney General's Response to Requests for Information posed by the PSC by Order dated August 22, 2005, with the Executive Director of the Kentucky Public Service Commission at 211 Sower Boulevard, Frankfort, Kentucky, 40601 this the 2nd day of September, 2005, and certify that this same day I have served the parties by mailing a true copy, postage prepaid, to the following:

BOBBY D SEXTON  
PRESIDENT/GENERAL MANAGER  
BIG SANDY RECC  
504 11TH STREET  
PAINTSVILLE KY 41240 1422

HONORABLE FRANK F CHUPPE  
WYATT TARRANT AND COMBS LLP  
500 WEST JEFFERSON STREET  
SUITE 2800  
LOUISVILLE KY 40202 2898

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555 THIRTEENTH ST NW  
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**Response of the Attorney General to  
Initial Data Request of Commission Staff to the Attorney General  
Big Sandy Rural Electric Cooperative Corporation  
Case No. 2005-00125**

Witness Responsible: David H. Brown Kinloch

1. Refer to page 3 of the Testimony of David H. Brown Kinloch ("Kinloch Testimony"). Big Sandy used a minimum size methodology based on the cost of a 4/0 ACSR conductor, which you state is a very unusual choice. Explain, under the minimum size methodology, which selection criteria Mr. Kinloch believes should be used in determining the proper conductors upon which to base costs.

ANSWER:

Under the minimum size methodology, I would have used the smallest conductor with respect to amperage capacity. For Big Sandy, the minimum size conductor is the 8ACWC, with an amperage capacity of 100 amps. The unit cost for this conductor is \$0.1522 per foot, which is very close to results of the zero-intercept methodology, which was \$0.1882 per foot.



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2. Refer to pages 10 and 11 of the Kinloch Testimony, which supports Big Sandy's proposal that the entire residential rate increase be allocated to the energy charge and that the customer charge for the commercial class be increased to \$15.00 per month. Explain how Mr. Kinloch determined that the \$7.00 and \$15.00 customer charges proposed by Big Sandy are the proper customer charges. Include all necessary calculations needed to support his recommendation of the proposed customer charges.

ANSWER:

The supporting figures are found in my Exhibit DHBK-3, pages 5 and 6 of 18. Consistent with my testimony on other cases, I considered the customer assigned charges excluding distribution lines. Based on the figures on this page, the customer related costs are \$11.84 per month for the Residential class, and \$31.99 for the Commercial class. Thus the customer charges proposed by Big Sandy are below these calculated figures. As I have stated in previous testimony before the Commission, the customer charge should be kept as low as possible, to maximize the amount of the bill that is variable. Higher variable costs send pricing signals which encourage energy conservation. I judged the proposed increase in the Commercial customer charge to be reasonable, as it is consistent with the commercial customer charge that other utilities are charging.



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3. Refer to lines 4-6 on page 11 of the Kinloch Testimony. Explain whether the reference to Exhibit DHBK-4, page 1 of 1 is an error, when referring to assignment guidelines for the rate design for the residential and commercial classes. If the reference is in error, include the correct reference in the response.

ANSWER:

The reference is in error. The correct reference is Exhibit DHBK-3, page 18 of 18.





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4. Refer to page 12 of the Kinloch Testimony.

a. It is Mr. Kinloch's contention that, since a majority of disconnects are made at the meter, most of the time the disconnect service is identical to the connect service?

ANSWER:

Yes. Most of the time when the reconnection is done at the meter, this service is the same as the "Second service connect fee" and the "Installation and reconnect" fee found in Big Sandy's Exhibit C, page 2 of 2. The amount of time involved is also very similar to the "Meter reading" and "Collection" fees also found in Big Sandy's Exhibit C, page 2 of 2.

b. Explain whether Mr. Kinloch believes that it would be more appropriate to exclude any recovery of the difference in time spent on reconnects at the meter and reconnects at the pole (as he appears to propose), or whether it would be appropriate to allow for some recovery of the additional time spent on a pole reconnection within the reconnect fee.

ANSWER:

In response to the Attorney General's Supplemental Data Request, Item 18, Big Sandy stated that a majority of reconnects made after disconnect for non-payment were made at the meter, not on the pole. When asked in the same data request how many of the reconnects were made at the pole and how many were made at the meter, Big Sandy stated that it did not keep these records. Without data on the portion of reconnects that were made at the pole and at the meter, it is not possible to calculate an amount associated with the pole reconnects for recovery in this charge. Absent this data, the only option is to base the charge on meter reconnects.



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5. Refer to page 13 of the Kinloch Testimony, which states that Big Sandy is in the minority of East Kentucky Power distribution cooperatives in that it is “still using an excessive 10 percent late payment fee.”

a. Explain whether the phrase “still using” is meant to reflect that some East Kentucky Power cooperatives that had late payment fees of 10 percent have reduced those fees.

ANSWER:

It is meant to reflect recent scrutiny of predatory lenders, payday loan, and check cashing establishments that prey on the poor by charging extremely high interest rates. In some cases legislation has been passed to curb these practices. Under this type of societal pressure, it would be hoped that utilities still using excessively high late payment fees would voluntarily reduce them when the practice cannot be cost justified. Otherwise, the late payment fees being charged to those who may well be the least able to afford it are used to subsidize those who pay on time. Big Sandy has been unable to provide any cost based justification for continued use of such a high late fee.

b. Provide the names of any East Kentucky Power cooperatives of which Mr. Kinloch is aware that has late payment fees of at least 10 percent and have reduced them.

ANSWER:

I am unfamiliar with the history of late fees charged by East Kentucky Power cooperatives.



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6. Refer to Exhibit DHBK-3, page 18 of 18. Provide an updated schedule of Mr. Kinloch's Allocation of Increases in Revenue Requirements, which includes normalized revenues based on the rates authorized in Case No. 2004-00468,<sup>1</sup> in which Big Sandy's base rates were reset as part of a fuel adjustment charge roll-in.

ANSWER:

The requested schedule is attached. The normalized revenues based on rates authorized in Case No. 2004-00468 are taken from Big Sandy's Exhibit J of its Application.

**Office of the Attorney General**

**Case No. 2005-00125**

**Allocation of Increase in Revenue Requirements**

A. Determination of Increase Amount for Specified Rate Classes

Revenue Requirements	Schedule A-1	Schedule A-2	Schedule YL-1
Normalized Revenue Increase Amount	\$ 10,836,655	\$ 1,052,742	\$ 576,261
Increase Schedule YL-1 by 0%	\$ 831,182		11,889,397
			831,182
Increase Amount for Schedules A-1 & A-2			\$0.00
Increase Amounts for Schedules A-1 & A-2			831,182
Revenue Requirements	\$ 664,946	\$ 166,236	
	\$ 11,501,600	\$ 1,218,978	\$ 576,261

B. Rate Design - Schedules A-1 & A-2

	Schedule A-1	Schedule A-2	Schedule YL-1
New Customer Charge Billing Units	15.00	10.689	
Customer Charge Revenue Plus Demand Charge Revenue	976,577	160,335	237,236
Revenue Required - Energy Rate Energy kWh	10,525,023	821,407	171,619,388
	171,619,388	13,679,658	

Proposed Energy Rate

	0.06133	0.06005
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C. Rate Design for Schedule YL-1 1.1

	Rates	
	Current	Proposed
175 Watt Lamp	\$ 5.66	\$ 6.23
400 Watt	\$ 7.85	\$ 8.64
500 Watt	\$ 8.86	\$ 9.75
1500 Watt	\$ 18.70	\$ 20.57